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Mr. Tom Horne
Superintendent of Public Instruction
Arizona Department of Education
1535 West Jefferson Street, Bin 2
Phoenix, Arizona 85007

Dear Superintendent Horne:

This **Final Audit Report**, entitled *Arizona Department of Education's Oversight of the ESEA, Title I, Part A Comparability of Services Requirement*, presents the results of our audit. The purpose of the audit was to determine whether the Arizona Department of Education (ADE) monitored local educational agencies' (LEA) compliance with the Title I, Part A Comparability of Services provision and ensured that the LEAs were reporting complete and accurate comparability information to ADE. Our review covered the period July 1, 2004 through June 30, 2006. At the LEAs, we limited our detailed review to school year 2005-2006. However, we did obtain comparability information covering school year 2004-2005 to ensure that the LEAs were performing comparability determinations annually.

BACKGROUND

Title I, Part A of the Elementary and Secondary Education Act (ESEA) of 1965, as amended by the No Child Left Behind Act of 2001, provides grants to state educational agencies (SEA) to provide supplemental funding to elementary and secondary schools with high concentrations of students from low-income families. SEAs allocate most of these grant funds to LEAs for the provision of supplemental instructional services to students.

Section 1120A(c)(1) of the ESEA stipulates that an LEA may receive Title I, Part A funds only if it uses state and local funds to provide services in Title I schools that, taken as a whole, are at least comparable to the services provided in schools not receiving Title I funds. If the LEA serves all of its schools with Title I funds, the LEA must use state and local funds to provide

services that, taken as a whole, are substantially comparable in each Title I school. Because Title I funds are allocated to LEAs annually, LEAs must demonstrate comparability annually.¹ They are expected to perform comparability determinations early in the school year so that resource adjustments can be made as early as possible to correct instances of non-comparability among schools.

Section 1120A(c)(1)(C) of the ESEA allows LEAs to determine comparability either on a grade span basis or a school-by-school basis within the LEA. Section 1120A(c)(2)(A) states that an LEA may demonstrate comparability by submitting written assurances to the SEA that it has implemented (1) a district-wide salary schedule, (2) policies to ensure equivalence among schools in teachers, administrators, and other staff, and (3) policies to ensure equivalence among schools in the provision of curriculum materials and instructional supplies. Alternatively, an LEA may demonstrate comparability by implementing measures of comparability, such as the student to instructional staff ratio or the student to instructional staff salary ratio.² Furthermore, Section 1120A(c)(3)(B) of the ESEA requires LEAs to maintain records, that are updated at least biennially, documenting their compliance with the comparability provision.

The State of Arizona has more than 200 public school LEAs and more than 350 charter school LEAs. The ADE allocated Title I, Part A grants totaling \$241.7 million and \$263.4 million to LEAs in school years 2004-2005 and 2005-2006, respectively. ADE requires each LEA to submit an Assurance of Comparability at least every other year, certifying that its schools are comparable or that the LEA is exempt from the comparability requirement. The Academic Achievement Division within the ADE is responsible for monitoring LEAs' compliance with the comparability requirement.

The table below provides information on the three LEAs that were selected for onsite reviews as part of the audit.

Information on LEAs Selected for Onsite Reviews			
LEA	School Year 2005-2006		
	Title I Allocation	Total Schools	Title I Schools
Amphitheater Public Schools (Amphitheater)	\$3,064,703	20	10
Chandler Unified School District (Chandler)	\$2,991,584	35	5
Mesa Public Schools (Mesa)	\$13,035,121	90	44

¹ The U.S. Department of Education's revised comparability guidance, *Non-Regulatory Guidance – Title I Fiscal Issues*, (May 2006) clarifies that comparability is an annual requirement.

² The U.S. Department of Education's *Policy Guidance for Title I, Part A: Improving Basic Programs Operated by Local Educational Agencies*, (April 1996) describes these two methods as alternatives to the written assurance method.

AUDIT RESULTS

ADE provided LEAs with detailed guidelines and instructions on how to perform annual comparability determinations, and refined and clarified these materials each year to help ensure that LEAs properly implemented comparability. ADE required LEAs to document compliance with the comparability requirement earlier in the school year when it moved the date LEAs must submit the Assurance of Comparability from January 14, 2005 for school year 2004-2005 to November 30, 2006 for school year 2006-2007. The earlier submission date requires LEAs to test comparability and make resource adjustments to correct comparability imbalances earlier in the school year.

However, ADE needs to strengthen its monitoring of LEA compliance with the comparability requirement. ADE also needs to ensure that the three LEAs reviewed as part of our audit are performing comparability determinations properly, including the use of appropriate and correct data.

ADE did not explicitly express concurrence with our findings in its comments to the draft report, but it did describe the corrective actions taken or planned to address our recommendations. ADE's comments are summarized at the end of each finding and the full text of the comments is included as Attachment 2 to the report.

FINDING NO. 1 – ADE Needs to Strengthen Monitoring of LEA Compliance with the Comparability Requirement

ADE does not routinely verify that LEAs claiming to be exempt from the comparability requirement made the correct assessments of their comparability status, nor does ADE regularly ensure that LEAs receiving Title I funds submitted an Assurance of Comparability at least every other year to document compliance with the comparability requirement. In addition, ADE's existing LEA monitoring program and other mechanisms it relies on to monitor implementation and compliance are not sufficient because they are not performed frequently enough, are performed late in the school year or after the school year has ended, and/or are not comprehensive enough to determine whether LEAs properly implemented the requirement. Furthermore, ADE has not determined whether LEAs have developed procedures for making necessary resource adjustments when non-comparable schools are identified.

Under the *Uniform Administrative Requirements For Grants And Cooperative Agreements To State And Local Governments*, 34 C.F.R. § 80.40(a), grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

Procedures Are Needed To Ensure That LEAs Claiming “Exempt” Make Correct Assessments

In its Comparability Workbook distributed to LEAs, ADE requires each LEA to perform a self-assessment to determine whether it is required to calculate comparability or is exempt from the requirement. LEAs are required to document the results of the self-assessment on a form provided by ADE. In school year 2005-2006 LEAs were required to certify that the information is correct. However, ADE has not implemented a process to regularly verify that LEAs claiming to be exempt make the correct assessment. According to the U.S. Department of Education’s (Department) *Policy Guidance for Title I, Part A: Improving Basic Programs Operated by Local Educational Agencies – Fiscal Requirements* (April 1996), LEAs that have only one school per grade span are exempt from the comparability requirement. The Department’s guidance and ADE’s Comparability Workbook also allow an LEA to exclude any school with 100 or fewer students from comparability determinations. This exclusion can result in an LEA being exempt. For example, if an LEA only serves elementary students at two schools and one has 100 or fewer students it would not be required to calculate comparability for its elementary schools.

In the one instance (school year 2004-2005) in which ADE did review LEA comparability status, it identified four LEAs that improperly reported their status as exempt. These LEAs should have performed a comparability determination in school year 2004-2005. The total amount of Title I funds allocated to these four LEAs was \$4,129,628 in school year 2004-2005.³ We found no evidence that ADE notified these LEAs of their incorrect self-assessments or that ADE required the LEAs to perform comparability determinations upon determining that the LEAs were not exempt. As a result, ADE cannot ensure that the Title I schools at these LEAs were comparable to the non-Title I schools. ADE did not review the accuracy of LEA self-assessments in school year 2005-2006.

Procedures Are Needed To Ensure That LEAs Submit Biennial Assurances of Comparability

Section 1120A(c)(3)(B) of the ESEA requires each LEA to maintain records that are updated at least biennially documenting its compliance with the comparability provision. To meet this requirement, ADE requires each LEA to submit an Assurance of Comparability at least every other year, certifying that its schools are comparable or that the LEA is exempt from the comparability requirement.⁴ However, ADE does not have procedures to routinely confirm that LEAs are submitting the required Assurance of Comparability and cannot ensure that LEAs are documenting compliance with the comparability requirement every other year. We found that nine LEAs that received Title I funding allocations totaling more than \$5.7 million in school year 2005-2006 did not submit an Assurance of Comparability for at least two consecutive years during the period covering school year 2003-2004 to school year 2005-2006. ADE was not aware that these LEAs had not complied with the reporting requirement.

³ The specific LEAs’ allocations are as follows: Cottonwood-Oak Creek Elementary - \$659,156; Parker Unified - \$704,449; Somerton Elementary - \$1,329,663 and Window Rock Unified - \$1,436,360.

⁴ If an LEA certifies that its schools are comparable it must also identify the method(s) it used to test and demonstrate comparability.

Comparability Monitoring Efforts Need to be Enhanced

The Federal regulations at 34 C.F.R. § 80.40(a) require ADE to regularly monitor LEA operations, including their implementation of, and compliance with, the ESEA's comparability provision. The Department also requires SEAs to review LEA comparability determinations at least every other year. However, ADE's monitoring program, reliance on single audits, and one-time review are not sufficient to provide adequate oversight over LEA compliance with the comparability requirement.

- ADE's LEA monitoring program covers the comparability requirement only once every six years when ADE personnel are on-site at the LEAs. This level of monitoring is not frequent enough to assure that LEAs are complying with the annual comparability requirement. In addition, the on-site comparability monitoring is not comprehensive enough to assure compliance. During the period covered by our review, ADE personnel confirmed only that LEAs had completed the Assurance of Comparability when conducting on-site monitoring. Monitoring personnel did not (1) determine whether an LEA had established procedures for compliance with the comparability provision, (2) evaluate whether the LEA properly determined its comparability status (exempt versus non-exempt), (3) ensure that LEAs maintained adequate documentation to support comparability calculations, or (4) review an LEA's comparability calculations or supporting documentation. ADE has revised its school year 2006-2007 monitoring protocol to include steps to confirm that LEAs have developed written comparability procedures and that LEAs have completed the comparability worksheets, if required. However, ADE has not increased the frequency of the reviews and the revised monitoring protocol does not include a confirmation that appropriate LEA records support data in the comparability worksheets.
- ADE also relies on reports issued by external auditors, resulting from audits performed under the Single Audit Act of 1984, as amended, to monitor LEA compliance with the comparability requirement. However, ADE's reliance on these audits to provide oversight over LEAs' comparability processes is not adequate.⁵ ADE's guidelines instructed LEAs to perform comparability testing and make any needed corrections early in the school year. ADE's Comparability Guidelines for school year 2006-2007 state "[d]ata for determining comparability should be compiled as early in the school year as possible so that adjustments, if needed, can be made quickly." Single audits are typically performed after the school year has ended. Thus, LEAs would not be in a position to correct comparability imbalances identified as a result of these audits. Furthermore, single audits may not cover the comparability requirement every year and LEAs expending less than \$500,000 in Federal funds in any year are exempt from the single audit requirement.

⁵ The Department's revised comparability guidance, *Non-Regulatory Guidance – Title I Fiscal Issues*, (May 2006) states that reliance on single audits is not adequate because it does not allow an SEA to determine whether an LEA has met the comparability requirement within the time frame for allocating Title I funds and for the LEA to correct any non-compliance.

- According to an ADE official, ADE's Academic Achievement Division performed a one-time review when it required about 70 LEAs to submit comparability worksheets for their school year 2004-2005 comparability determinations. However, ADE did not have standard procedures for reviewing the worksheets and did not require the LEAs to submit supporting documentation. Thus, ADE's reviews were not complete. Our review of 10 of these LEA files disclosed that some LEAs submitted supporting documentation to ADE, but in most cases the additional documentation was not adequate to fully assess LEA compliance. Our review also found that ADE's reviews were inconsistent and were generally inadequate to assess whether LEAs were in compliance. In addition, ADE's review occurred late in the school year, which would have delayed corrective action on the part of LEAs if problems were found.

Because ADE's comparability monitoring is not sufficient, it cannot ensure that LEAs are performing complete and accurate comparability determinations and thus cannot ensure that the resources provided from state and local sources are comparable at Title I schools. Our detailed reviews at three LEAs found that (1) all three LEAs used incorrect or inappropriate data when performing their comparability determinations, (2) one LEA used budgeted, rather than actual, staffing data to calculate comparability, (3) another LEA did not maintain documentation to support the staffing component of its determination, and (4) another LEA excluded an entire grade span using one method and excluded staff salary expenditures using another method, but still certified its schools were comparable under these methods. The results of our detailed reviews at the three LEAs are presented in Finding 2.

Oversight When LEAs Identify Non-Comparable Schools Needs Improvement

ADE requires LEAs to follow local procedures to correct comparability imbalances. The ADE was notified by one LEA we reviewed (Amphitheater) that it had identified a non-comparable school after revising its comparability calculations at ADE's direction. However, we found no evidence that ADE followed up with the LEA to verify that the appropriate adjustments were made to correct the imbalance. In addition, the LEA did not maintain adequate documentation to show that the necessary resource adjustments had been made. Another LEA's (Chandler) comparability procedures allow it to make resource adjustments as late as the beginning of the second semester to correct imbalances at non-comparable schools.

ADE has not developed any procedures for monitoring the actions taken by LEAs to correct imbalances, even though it is responsible for monitoring all programs, functions, and activities of LEAs that involve the use of Federal funds. ADE's school year 2005-2006 Assurance of Comparability provided LEAs with an opportunity to certify that an imbalance had been corrected to ensure that state and local funds are comparable across all schools. However, this certification is optional on the part of LEAs. The lack of monitoring of LEA resource adjustments, when required, prevents ADE from exercising appropriate oversight over situations in which non-comparable schools are identified. As a result, ADE cannot ensure that LEAs make the proper resource adjustments when non-comparable schools are identified.

Recommendations

We recommend that the Assistant Secretary for Elementary and Secondary Education require the ADE to —

- 1.1 Require the four LEAs that incorrectly assessed their comparability status as exempt to perform comparability determinations and provide sufficient and verifiable documentation to support compliance with the comparability of services requirement. If the LEAs cannot demonstrate comparability at all schools or fail to provide the required documentation to support compliance, ADE should return to the Department that portion of the \$4,129,628 in Title I, Part A funds applicable to any LEA's schools that failed to demonstrate comparability in school year 2004-2005.
- 1.2 Implement procedures to ensure that LEAs claiming to be exempt from performing a comparability determination have made the correct assessment.
- 1.3 Implement procedures to confirm that all LEAs are submitting the required Assurance of Comparability at least every other year.
- 1.4 Implement a biennial process for reviewing LEA comparability determinations, including the development of specific review guidelines that require confirmation that data used in the determinations are supported by appropriate LEA records.
- 1.5 Monitor the actions taken by LEAs when ADE becomes aware of situations in which non-comparable schools have been identified.

ADE Comments and OIG Response

ADE commented on each of our recommendations and described the corrective actions taken or planned. When ADE disagreed or only partially concurred with a recommendation, or in cases where we determined ADE's corrective action may not be sufficient, we have provided a response.

Recommendation 1.1. ADE stated that the four LEAs have prepared preliminary comparability determinations and submitted documentation. As part of its comments, ADE provided a summary report containing information on the LEAs' schools and stated that LEAs are working cooperatively with ADE to determine whether the comparability requirement was met. ADE stated that three of the four LEAs have submitted their comparability procedures.

OIG Response. The summary report provided with ADE's comments appears to provide information for school year 2005-2006. Since our recommendation covers school year 2004-2005, we are concerned that ADE and the four LEAs may not be using information for the appropriate school year in responding to the recommendation. The Department needs to ensure that ADE and the LEAs are evaluating comparability for the proper period and that ADE informs the Department of the comparability status of the four LEAs once the determinations are completed for school year 2004-2005. The Department should also consider requiring ADE to submit comparability materials (i.e., LEA profiles, comparability worksheets, and supporting

documentation) to the Department so that an independent review of the comparability calculations can be performed.

Recommendations 1.2 and 1.3. ADE stated that procedures are in place to address these recommendations. ADE will perform queries of its data systems to 1) verify information reported by LEAs claiming to be exempt from the comparability requirement and 2) confirm that LEAs required to file an Assurance of Comparability have provided the submission. ADE also identified specific procedures for follow-up with LEAs when inaccurate or non-reporting occurs.

Recommendation 1.4. ADE proposes to meet the biennial monitoring requirement by performing a “desk audit” of a sample of LEA comparability determinations each year. ADE’s sample would include both LEAs that were required to submit a comparability assurance (biennial filers) during the year and LEAs in a non-filing status that year. ADE would require each LEA selected for review to submit copies of their comparability worksheets and to complete a brief questionnaire documenting the LEA’s comparability methodology and data sources.

OIG Response. The Department will need to evaluate whether ADE’s approach to comparability monitoring (sampling) complies with the Department’s biennial monitoring requirement. If ADE’s approach does comply, the Department should consider requiring ADE to provide its sampling methodology for Departmental review to ensure that an appropriate mix of LEAs will be reviewed each year. The Department should also consider requiring ADE to obtain, evaluate, and analyze LEAs’ supporting documentation (i.e., source for amounts used in calculations) as part of its desk audit procedures.

Recommendation 1.5. ADE stated that an automated reminder system will be implemented to ensure that LEAs make corrections in resource allocations when non-comparable schools are identified at the time the biennial Assurance of Comparability is due (November 30th). The LEAs would be required to submit, no later than May 1st, a revised comparability assurance and documentation showing that appropriate resource adjustments were made to correct imbalances.

OIG Response. The proposed date of “no later than May 1st” may be too late in the school year to provide time for ADE to evaluate the LEAs’ actions to correct imbalances and, if needed, initiate further corrective action. The Department should consider consulting with ADE to determine if an earlier date could be used for following up on actions taken by LEAs.

FINDING NO. 2 – ADE Needs to Ensure That the Three Reviewed LEAs Use Appropriate and Correct Data and Properly Implement the Comparability Requirement

In addition to the written assurances specified in the ESEA, ADE’s Comparability Workbook identified three alternative methods (Pupil to Non-Federal Instructional Staff ratio, Per Pupil Expenditures [Non-Federal] for Instruction, and Per Pupil Expenditures for Non-Federal Instructional Staff Salaries) that LEAs could use to demonstrate they had met the comparability requirement during the period covered by the audit.⁶ ADE made several changes to its

⁶ ADE identified eight methods for demonstrating comparability in its 2006-2007 Comparability Guidelines.

guidelines for performing school year 2005-2006 comparability determinations, including specifying for the first time that LEAs should use data from around the 40th day of instruction to calculate comparability and that comparability should be tested using actual staffing assignments and expenditures.

Our review of school year 2005-2006 comparability determinations at the three LEAs showed that none of the LEAs performed all aspects of the comparability process correctly or in accordance with ADE's Guidelines or Comparability Workbook. In all cases, LEAs used incorrect or improper data to calculate comparability. We also noted instances in which LEAs omitted significant data elements from their calculations, did not include all applicable grade spans, used budget data rather than actual data to perform calculations, and/or did not maintain documentation to support the determinations.

All Three LEAs Reviewed Made Errors When Performing Comparability Determinations

Amphitheater, Chandler, and Mesa all used inappropriate and/or incorrect data when calculating comparability in school year 2005-2006. In some cases, this resulted in the LEA submitting an inaccurate Assurance of Comparability to the ADE. We determined that Amphitheater's elementary schools were not comparable in school year 2005-2006 even though its Assurance of Comparability reported that they were comparable. We could not determine whether Chandler's schools were comparable in 2005-2006. Because Section 1120A(c)(1) of the ESEA requires that schools be comparable in order for an LEA to receive Title I funds, the LEA would be required to return all or a portion of Title I funds received that year if any of its schools were in fact not comparable.

- Amphitheater certified to the ADE that it had demonstrated comparability using the Pupil to Non-Federal Instructional Staff ratio, but incorrectly included preschool enrollment figures and federally funded staff in its elementary school calculations. The preschool enrollment data should have been excluded because the LEA's preschools are not funded through state or local sources. Federally funded personnel must be excluded from comparability calculations because the purpose of the ESEA comparability provision is to ensure that LEAs use state and local funds to provide services in Title I schools that, taken as a whole, are at least comparable to the services provided in schools not receiving Title I funds. ADE's Comparability Workbook instructed LEAs to "[e]xclude staff paid with Title I or other Federal funds." An Amphitheater official stated that both errors resulted from oversights when performing the comparability determinations. As shown in Attachment 1 to this report, our recalculation of Amphitheater's 2005-2006 comparability determination, in which the preschool enrollment data and federally funded staff were excluded, showed that four of its elementary schools were not comparable. As a result, the LEA may need to return all or part of the \$3,064,703 of Title I funding it received in 2005-2006.

Amphitheater also incorrectly used budgeted staffing data to prepare its comparability determination in school year 2005-2006. ADE's instructions to LEAs stated that "[c]omparability should be tested on actual (not budgeted) data..." and "...LEAs should use a date around the 40th day of the school year to test comparability based on actual staffing assignments...." The staff allocation report used by the LEA to calculate the

Pupil to Non-Federal Instructional Staff ratio represented a staffing projection prepared before the beginning of the school year, rather than the actual staffing assignments at the LEA's schools at the time comparability was calculated. According to an Amphitheater official, the projections used in its calculations almost always reflect the actual staff assignments at its schools.⁷ However, Amphitheater did not verify that the projections reflected the actual staffing at the school sites when performing the comparability determination around the 40th day of the school year. The LEA official stated that the LEA's accounting system is not capable of generating the actual staffing information needed to calculate comparability. We could not determine whether the use of staffing projections caused additional inaccuracies in the LEA's comparability determination.

- Chandler certified to the ADE that its schools were comparable using the Pupil to Non-Federal Instructional Staff ratio in school year 2005-2006, but used inappropriate staffing data to prepare its calculations. While Chandler used 40th school day student enrollment data in its calculations, it used 80th school day staffing data. ADE instructed LEAs to "...use a date around the 40th day of the current school year to test comparability...." Chandler's own comparability procedures also state that "the date that each data element is pulled will be the same, to the extent possible" and that "[t]he district will strive to use the 40th day of the school year as its designated date." The Department's April 1996 guidance did not address the timing of data used to calculate comparability, but its revised comparability guidance (May 2006) states that "[a]n LEA should be consistent with regard to what day of the year the data collected reflect." ADE's Comparability Guidelines for school year 2006-2007 instruct LEAs to test comparability based on 40th day average daily membership.⁸

Chandler also did not maintain documentation to support the staffing data used to prepare its comparability determination in school year 2005-2006. In addition, Chandler revised the staffing figures obtained from its data system but did not document the rationale for the adjustments.

Because Chandler did not use comparable date data and did not maintain documentation supporting the staffing counts it used to calculate comparability, we could not determine if Chandler's schools were comparable or the LEA's Assurance of Comparability was accurate. While Chandler did provide us with a revised comparability determination, we did not evaluate the revised determination because the LEA again used 80th day staffing data. As a result, we could not determine whether the LEA complied with the comparability requirement, and thus whether the LEA would need to return all or a part of the \$2,991,584 of Title I funding it received in 2005-2006.

- Mesa certified that its schools were comparable in school year 2005-2006 under all three methods identified in ADE's Comparability Workbook but it made incorrect assertions under two methods and incorrectly calculated the ratio for the third method.

⁷ Amphitheater's school principals were asked to review the staffing allocations before the school year began and to provide input if they determined that adjustments to the staffing levels were needed.

⁸ Arizona uses the term "membership" in lieu of enrollment. See Footnote 9 in the Other Matter section of this report for Arizona's statutory definition of Average Daily Membership.

- Mesa’s certification that its schools were comparable using the Pupil to Non-Federal Instructional Staff ratio was inappropriate because its elementary schools were not comparable under the method. A Mesa official told us the LEA cited this method as demonstrating comparability for its middle schools only.
- Mesa’s certification that its schools were comparable under the Per Pupil Expenditures [Non-Federal] for Instruction method was inappropriate because the LEA did not include expenditures for instructional staff salaries when it calculated the ratio. Mesa officials could not explain why this method was cited on its Assurance of Comparability.
- When calculating the Per Pupil Expenditures for Non-Federal Instructional Staff Salaries ratio, Mesa incorrectly included enrollment and staff salary data for preschools that did not meet Arizona's definition of a school. The Arizona Revised Statutes defines “school” as “any public institution established for the purposes of offering instruction to pupils in programs for preschool children with disabilities, kindergarten programs or any combination of grades one through twelve.” Mesa incorrectly included regular education preschool data in its calculations.

Our recalculation with the regular education preschool data excluded demonstrated that the LEA’s schools were, in fact, comparable under the Per Pupil Expenditures for Non-Federal Instructional Staff Salaries method. Thus, Mesa’s Assurance of Comparability was accurate for one of the three methods and the LEA was eligible to receive Title I funds in school year 2005-2006.

All Three LEAs had Deficiencies in Their Comparability Procedures

Our review showed that the LEAs either had not developed written procedures or had inappropriate requirements in their procedures. Title I, Part A, Section 1120A(c)(3)(A) of the ESEA requires LEAs to develop procedures for compliance with the comparability requirement. ADE’s Comparability Workbook for school year 2005-2006 states “[e]ach LEA/District is responsible for developing procedures for compliance with the comparability requirement and for implementing those procedures annually.”

- Amphitheater’s comparability procedures instructed staff to use data from the staff allocation report, which does not conform to ADE’s instruction that LEAs should use actual staffing data to test comparability.
- Chandler’s comparability procedures allow the LEA to make resource adjustments as late as the beginning of the second semester to correct imbalances at non-comparable schools. This procedure does not conform to ADE’s instruction that comparability adjustments should be made early in the school year.
- Mesa has not developed procedures for compliance with the comparability requirement. The analyst performing the comparability determination had notes covering parts of the

comparability process in the LEA's files, but formal procedures were not developed as required by the ESEA.

ADE's school year 2006-2007 comparability instructions provide further clarification to LEAs on how to properly implement the comparability requirement, which included the adoption of written procedures. For example, ADE has instructed LEAs to adopt written procedures that include a yearly timeline for demonstrating compliance, identification of the office responsible for making the calculations, choosing the measure and process used to determine whether schools are comparable, and how and when the LEA makes adjustments in schools that are not comparable. However, additional clarification is still needed. ADE needs to instruct LEAs on when it is appropriate to include preschool enrollment and expenditure data in comparability determinations. ADE should also instruct LEAs to ensure that they are consistent with regard to the date all data used in comparability determinations reflects, such as the 40th day of the school year.

Recommendations

We recommend that the Assistant Secretary for Elementary and Secondary Education require the ADE to —

- 2.1 Provide sufficient and verifiable documentation to support compliance with the comparability of services provision or return to the Department that portion of the \$3,064,703 in Title I, Part A, funds that Amphitheater allocated to non-comparable schools in the 2005-2006 school year.
- 2.2 Instruct Chandler to a) perform its comparability determination for school year 2005-2006 using comparable date data, e.g. data as of the 40th day of instruction per ADE's own guidelines, and b) provide sufficient and verifiable documentation to support compliance with the comparability of services requirement or return to the Department that portion of the \$2,991,584 in Title I, Part A funds that Chandler allocated to non-comparable schools in school year 2005-2006.
- 2.3 Review all three LEAs' comparability determinations for school year 2006-2007 to determine whether the LEAs performed and documented the determination adequately, including the use of correct and appropriate data, and take any necessary corrective action if deficiencies are identified.
- 2.4 Ensure that all three LEAs revise or develop, as applicable, written comparability procedures that conform to the ESEA comparability provision and ADE requirements, including the use of consistent data (comparable dates), and that provide for the implementation and documentation of timely and appropriate resource adjustments when non-comparable schools are identified.
- 2.5 Advise all LEAs operating in Arizona of the findings discussed in this report and instruct the LEAs to review their school year 2006-2007 comparability procedures and methodology to ensure similar errors were not made. If similar errors are identified, LEAs should be required to ensure their schools are comparable after correction of the errors and take appropriate corrective action if non-comparable schools are identified.

- 2.6 Ensure that future guidelines to LEAs clarify when it is appropriate to include preschool data in comparability calculations and that LEAs need to ensure comparable data are used.

ADE Comments and OIG Response

ADE commented on each of our recommendations and described the corrective actions taken or planned. When ADE disagreed or only partially concurred with a recommendation, or in cases where we determined ADE's corrective action may not be sufficient, we have provided a response.

Recommendation 2.1. ADE stated that Amphitheater, through coordination among its departments, was able to export the staffing data from its software systems that was needed for the comparability determination. ADE also stated that Amphitheater demonstrated that its schools were comparable for school year 2005-2006 when it used the corrected staffing data.

OIG Response. Given the multiple problems we identified with Amphitheater's original determination, the Department should obtain and review Amphitheater's revised comparability worksheets and supporting source documentation to ensure that the revised comparability determination includes the appropriate staffing and enrollment data. Attachment 1 of this report shows the revised school enrollment data obtained during our review (excludes preschool enrollment).

Recommendation 2.2. ADE stated that Chandler prepared revised comparability calculations using source data from the 40th day of instruction and determined that its schools were comparable for school year 2005-2006.

Recommendation 2.3. ADE states that it has discussed the school year 2006-2007 comparability requirements with all three LEAs. Based on these discussions and its reviews of the LEAs' comparability procedures and calculations, ADE is satisfied that the three LEAs are now making reliable comparisons of their schools.

Recommendation 2.4. ADE stated that the three LEAs now have comparability procedures in place that conform to ADE's specifications and reflect the intent of the ESEA.

Recommendation 2.5. ADE states that it is confident that the target LEAs understand how to perform comparability determinations properly.

OIG Response. The intent of Recommendation 2.5 was that ADE communicate the comparability findings noted at the three LEAs to the other LEAs in the State. We have revised the wording of the recommendation to clarify our intent.

Recommendation 2.6. ADE states that it will clarify in its guidelines when LEAs can include preschool data in comparability calculations and that LEAs should use matching date data in their calculations.

OTHER MATTER

ADE's Comparability Guidelines and Comparability Handbook for school year 2006-2007 instruct LEAs to use 40th day Average Daily Membership (ADM) when performing comparability determinations.⁹ The 40th day ADM is simply an average of each school's daily enrollment of full-time and part-time students over the first 40 school days. Because individual school enrollment can vary significantly during the first few weeks of school, ADM may not reflect the true enrollment at schools once enrollment has stabilized. When we compared 40th day ADM data to actual 40th day enrollment for Chandler's elementary schools we found that actual 40th day enrollment exceeded 40th day ADM by 9.6 percent, or nearly 1,600 students. Two of the three LEAs we reviewed used actual 40th day student enrollment data when performing comparability determinations. Use of ADM may result in distorted comparability results because the LEA would be comparing less accurate, and not actual, average daily enrollment to actual data, such as the actual instructional staff assigned to schools as of the 40th day. ADE should consider revising its comparability guidelines to instruct LEAs to use actual 40th day enrollment data beginning with school year 2007-2008.

In its comments on the draft report, ADE stated that its Comparability Guidelines for school year 2007-2008 will instruct LEAs to use actual enrollment data if actual staffing or expenditures are used for the comparability calculations. LEAs will be instructed to use average enrollment figures if average staffing or expenditures are used.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit objectives were to determine whether the ADE (1) monitored LEAs' compliance with the ESEA, Title I, Part A Comparability of Services provision and (2) ensured that the LEAs were reporting complete and accurate comparability information to ADE. The audit covered the period July 1, 2004, through June 30, 2006. At the LEAs, we limited our detailed review to school year 2005-2006, but we did obtain comparability information covering school year 2004-2005 to ensure that the LEAs were performing comparability determinations annually.

To achieve our objectives, we gained an understanding of the applicable ESEA provision, Federal regulations, Department guidance, and ADE guidelines and instructions provided to LEAs. We interviewed officials and staff at ADE's Academic Achievement Division, Amphitheater Public Schools, Chandler Unified School District, and Mesa Public Schools. We also interviewed U.S. Department of Education officials responsible for monitoring SEA and LEA compliance with Title I provisions, including comparability of services, and reviewed

⁹ As defined in Title 15, Section 901(A)(2) of the Arizona Revised Statutes, "Average Daily Membership" means the total enrollment of fractional students and full-time students, minus withdrawals, of each school day...." "Withdrawals include students formally withdrawn from schools and students absent for ten consecutive school days, except for excused absences...."

Department monitoring reports related to ADE as well as ADE's responses to the monitoring report findings. In addition, we reviewed audit reports prepared by the Arizona Auditor General's Office and external auditors responsible for conducting single audits of the three selected LEAs.

To determine whether ADE monitored LEA compliance with the comparability requirement, we obtained information on the monitoring activities ADE has implemented through inquiry, observation, and inspection of documentation and records. Specifically, we reviewed comparability guidelines, workbooks, and worksheets ADE provided to LEAs for the period covered by our audit. We also tested ADE's monitoring of LEA compliance with the comparability provision by reviewing a judgmental sample of 10 files that ADE personnel had prepared in relation to its review of about 70 LEAs' comparability determinations in 2005 (its review covered school year 2004-2005) and by reviewing other records ADE maintained related to LEA monitoring. We selected these 10 files based on the amount of Title I funding allocated to each LEA in school year 2004-2005.¹⁰

To determine whether LEAs were reporting accurate and complete comparability information to ADE, we conducted reviews at three LEAs that were judgmentally selected based on the size of the LEA (student enrollment), the total number of schools versus the number of Title I schools, and the amount of Title I funding allocated to the LEA in school year 2004-2005. At each LEA, we performed detailed review procedures for school year 2005-2006 that included (1) ensuring that the LEA submitted a complete Assurance of Comparability to ADE at least every other year, (2) testing each LEA's comparability determination by checking the accuracy of calculations on comparability worksheets and tracing a judgmental sample of selected schools' (Title I and non-Title I) comparability data to supporting documentation, and (3) reviewing documentation for resource adjustments made to correct situations in which an LEA had identified non-comparable schools.

We also gained an understanding of ADE's and the selected LEAs' internal control structure, policies, procedures, and practices applicable to the comparability of services requirement under ESEA Title I, Part A.

We relied, in part, on computer-processed data used by ADE to monitor LEA compliance with the comparability provision and by the LEAs to perform their comparability determinations. At ADE, the computer-processed data included the Assurance of Comparability that LEAs submitted electronically, via ADE's "Common Logon" website, and other electronic files tracking LEA compliance with the comparability requirement. At the LEAs, the computer-processed data included student enrollment data, personnel data, and other data maintained on LEA computer systems. We gained a limited understanding of the related computer system controls by making inquiries with appropriate information systems and other personnel. We also obtained information on ADE and LEA procedures designed to ensure the validity and reliability of data maintained in these systems. We concluded that the computer-processed data we used was sufficiently reliable for the purposes of our audit.

¹⁰ The top 10 LEAs in terms of Title I funding, with the exception of Tucson Unified School District and Roosevelt Elementary School District, were identified for this sample. These two LEAs were excluded because they were the subject of Department monitoring in April 2005. If any of the top 10 LEAs were not included in ADE's review, we substituted with the next highest funded LEA until we had identified 10 that were included in ADE's review.

We performed our fieldwork at ADE's administrative offices in Phoenix, Arizona, Amphitheater's administrative offices in Tucson, Arizona, Chandler's administrative offices in Chandler, Arizona, and Mesa's administrative offices in Mesa, Arizona. An exit conference was held with ADE on October 27, 2006. Exit conferences with Amphitheater and Chandler were held on October 25, 2006 and an exit conference was held with Mesa on October 26, 2006. We performed our audit in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

ADMINISTRATIVE MATTERS

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken, including the recovery of funds, will be made by the appropriate Department of Education officials, in accordance with the General Education Provisions Act.

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Education Department official, who will consider them before taking final Departmental action on this audit:

Kerri L. Briggs, Acting Assistant Secretary
Office of Elementary and Secondary Education
U.S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202

It is the policy of the U. S. Department of Education to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. §552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

Sincerely,

/s/

Gloria Pilotti
Regional Inspector General for Audit

Attachments

**Attachment 1: OIG Recalculation of Amphitheater’s
Elementary School Comparability Ratios**

Amphitheater’s Original Calculations and OIG Recalculations School Year 2005-2006 Comparability Determination (Data in the table is carried to three decimal places per instructions in ADE’s Comparability Workbook.)						
Non-Title I Schools (Comparison Group)	Original Enrollment	OIG Enrollment Calculation	Full-Time Equivalent Staffing (a)	Original Ratio	OIG Calculated Ratio	Was School Comparable After Recalculation? (e)
Non-Title I Schools (Comparison Group)						
Mesa Verde	443.375	425.250	22.600	19.618	18.816	
Donaldson	411.675	365.250	21.100	19.511	17.310	
Harelson	510.000	507.000	27.000	18.889	18.778	
Copper Creek	812.125	807.700	41.250	19.688	19.581	
Painted Sky	775.375	773.050	39.150	19.805	19.746	
Totals	2952.550	2878.250	151.100			
Comparison Group Ratio (b)				19.540	19.049	
Comparison Group Ratio with 10 Percent Variance (c)				21.494	20.954	
Title I Schools						
Prince	624.450	624.775	29.400	21.240	21.251	No
Nash (d)	598.000	598.000	28.000	21.357	21.745	No
Keeling (d)	486.525	486.525	23.600	20.615	21.062	No
Holaway	446.775	432.000	22.800	19.595	18.947	Yes
Rio Vista	606.150	606.150	31.100	19.490	19.490	Yes
Walker	591.350	590.900	28.100	21.044	21.028	No
<p>(a) An Amphitheater official advised us that the LEA’s accounting system could not generate actual staffing information. Thus, data in this column and the OIG recalculations are not adjusted for the impact of the LEA’s use of budgeted staffing data on the comparability of its schools.</p> <p>(b) The comparison group ratios (original and OIG recalculation) are calculated by dividing the enrollment totals by the full-time equivalent staffing totals.</p> <p>(c) As provided for in the Department’s guidance, ADE allows an LEA’s Title I school to exceed the comparison group ratio by up to 10 percent and still be considered comparable (e.g., 19.049 times 1.10 equals 20.954).</p> <p>(d) OIG calculated ratio for these two schools also includes a 0.5 FTE reduction to exclude federally funded staff incorrectly included in Amphitheater’s original calculations.</p> <p>(e) A Title I school is not comparable if the ratio shown in the OIG Calculated Ratio column exceeds the comparison group ratio with the 10 percent variance (20.954).</p>						

Attachment 2: ADE's Comments on the Draft Report

ADE's comments include statements that we considered misleading or that required further explanation. However, the statements were not central to ADE's position on the findings and recommendations. To address the statements, we embedded ED-OIG notes in the attachment to provide relevant information and needed clarification.



State of Arizona
Department of Education

Tom Horne

Superintendent of
Public Instruction

February 15, 2007

Ms. Gloria Pilotti
Regional Inspector General for Audits
United States Department of Education
Office of the Inspector General
501 I Street, Suite 9-200
Sacramento, CA 95814

RE: Arizona Department of Education's Oversight of the ESEA Title I, Part A
Comparability of Services Requirement

Dear Ms. Pilotti:

Thank you for the opportunity to respond to your draft Audit Report. In making this response, the Arizona Department of Education has considered the audit as a whole – your written materials, visits, and meetings, as well as the comparability statute and non-regulatory guidance.

To give you a complete response, it is important to understand the nature and background of our agency.

I INTRODUCTION

The Arizona Department of Education (ADE) has long been a leader in achieving quality education for all students through accountability and standards-based content. Our effort to improve schools, curriculum, and teaching has statewide support because ADE works in partnership with other stakeholders.

In this spirit, ADE appreciates the courtesies extended by the Office of the Inspector General (OIG) in conducting the audit with minimal intrusion. Likewise, as we address the specific concerns brought to the attention of the United States Department of Education (ED), our view is to work in partnership with the federal government and the

LEAs in order to support the process of preparing students to meet the challenges ahead.

ADE's approach to this, and other matters, is to ask how we can best serve all the stakeholders. ADE begins with standards, moves to training and education of the stakeholders, monitoring implementation (along with retraining) and, if still unsuccessful, state intervention and/or enforcement.

II BACKGROUND

Our agency's memory is as long as the tenure of the last program administrator. As long as we can remember, federal regulation of comparability was weak. Research supports this recall. See *ED, Advocates Seek to Beef Up Comparability*, by Andrew Brownstein and Charles Edwards; Title I Monitor Online (2006) (Brownstein/Edwards).

At the January 2006 National Association of State Title I Director's meeting, ED acknowledged that there are new personnel in the Fiscal Regulation field unfamiliar with any time that comparability was enforced. ADE staff is among these administrators.

The last ED Fiscal Requirements Policy Guidance, in April 1996¹¹, eliminated all language referring to state enforcement schedules and created confusion about how frequently LEA comparability calculations were required. The 1996 guidance was in effect during the years subject to the OIG audit (FY 2005-06). That guidance consisted of two pages on comparability.

Apparently, prior to 1996, SEAs were required by ED to withhold Title I funds of LEAs that were noncompliant in the fall. By spring, funds of these noncompliant LEAs were lost. States were also required to report to ED. All these state enforcement measures were left out of the 1996 guidance. *Id.*

According to the Brownstein/Edwards article, in a round of federal comparability audits that took place between 2003 and 2005,

“The following states met requirements for comparability and had no recommendations: Ariz. . . .”

Arizona's satisfactory prior performance and ED's past actions gave Arizona no indication of any change in ED's enforcement effort.

¹¹ Now archived. *Policy Guidance for Title I, Part A: Improving Basic Programs Operated by Local Educational Agencies – April 1996*. www.ed.gov/legislation/ESEA/Title_I/fiscal.html

Notably, no state enforcement measures, reporting, or monitoring schedules were restored in the May 2006 Comparability Guidance.

ED-OIG Note: The Department's May 2006 Non-Regulatory Guidance, which was issued after our audit period, contains two questions regarding monitoring. Question B-15 states "[t]he SEA should review LEA comparability calculations at least once every two years." Question B-16 of the guidance also contains this statement and adds "[t]he SEA may require that LEAs submit comparability documentation biennially, review comparability documentation biennially as part of the regular monitoring process, or submit comparability documentation biennially as part of a desk audit process."

III ARIZONA DEPARTMENT OF EDUCATION APPROACH TO COMPARABILITY

STANDARDS

In accordance with law and guidance, ADE takes a lead role in determining how LEAs can satisfy the federal Comparability law.¹² ADE establishes approved methods for showing comparability, sets a timetable, decides which LEAs must file in any one year and adopts procedures for filing.

ADE reviews its standards on an annual basis. Our expectations are collected and organized into formal Guidelines, Handbooks, Workbooks and/or Worksheets ("reference materials") readily available to the LEAs.

EDUCATION & TRAINING

ADE's strategy toward disseminating the information is both formal and informal. ADE holds an annual conference in or around October which offers formal training. The companion PowerPoint is available at our website. Structured information is also distributed by snail and/or email. Early mailings include highlights of the changes from the prior year, a summary of expectations and due dates, instructions on the use of reference materials and a direct link to the reference materials. Equally important, the mailings and reference material all have ADE contact telephone numbers and email.

Personal contact is one of the prime pipelines for education and training. LEAs have direct contact to the ADE Comparability program specialist as well as to their Title I program specialists. ADE assigns at least one staff member to each Title I LEA. LEAs may have regular telephone contact with two or more ADE compliance specialists, each of whom is available to guide the LEA through program requirements, including comparability.

¹² ADE's proposed Procedures are appended.

This hands-on approach facilitates compliance. In our partnership with the LEAs, nearly all issues are addressed before they become problems.

MONITORING & IMPLEMENTATION

ADE's procedures for monitoring LEA compliance with the Comparability law begin first with establishing the policies behind our standards.

Such policies include, for example, the decision to require excluded LEAs (those with one building per grade span) to submit an Assurance of Comparability. Doing so creates a comparison data base to monitor compliance. A previously excluded school that expands might be reflected more quickly on an Assurance than in ADE's records.

Next, ADE makes periodic checks during the reporting period to evaluate the rate of reporting. If one of these periodic checks shows, for example, a slow rate of return, a reminder email is sent. In many cases, the ADE specialist would bring up the report during a telephone call on another matter. The periodic checks also include review of filed Assurances for patterns of comprehension and accuracy.

LEA feedback is encouraged and common issues can be addressed by email or a revision in the forms.

After the reporting period, ADE follows-up with non-filers and checks of filed Assurances continue. Inaccurate filings are rejected for correction.

In the winter, noncompliant LEAs are warned of the consequences of non-filing and given a last chance to file. This warning usually solicits a flurry of telephone calls and final filings.

Concurrently, ADE can request worksheets and backup documentation for the Assurances and confirm that comparability is achieved. Most questions are resolved by phone.

ENFORCEMENT

ADE's primary role is to serve its constituency. This is best achieved by working with the stakeholders, not as an adversary. Punitive action is taken only when it is necessary.

ADE's policy for malingerers is to withhold Title I funds. More effective however, is ADE's refusal to consider next year's allocation request until all past obligations are fulfilled.

IV ADAPTATIONS TO THE 2006 FISCAL REGULATION GUIDANCE ON COMPARABILITY

After the issuance of the May 2006 federal guidance on comparability, ADE revised its LEA reference materials for FY2006-07 to incorporate the new recommendations. In particular, the list of revisions includes:

- an emphasis on annual calculations of comparability
- establishment of all methods to determine comparability
- an emphasis on developing LEA procedures for complying with comparability and inclusion of a sample timetable
- a change to biennial reporting
- new worksheets that mimic the examples in the guidance
- moving the date of comparison from winter to fall

V POST AUDIT COMMENTS

The OIG was focused and direct in its purpose. The study included a careful examination of papers in support of ADE's comparability procedures and requirements of its Title I subgrantees. The audit was hampered by employee turnover at ADE and at several LEAs. Turnover is not uncommon and with each new program specialist there is a new comparability learning curve. When the regulations and the personnel change, it is not surprising that reconstructing prior periods is not easy.

ADE addresses the OIG draft recommendations below. In short, the auditors recommend new or improved ADE procedures, the purpose of which is to "catch" or avoid noncompliance such as that described at the audited LEAs.

We'll examine this as two issues – LEA compliance and ADE procedures.

LEA COMPLIANCE

1. Mesa Unified School District

ADE has received and reviewed Mesa Schools comparability source documentation for FY2005-06 and its Comparability Procedures. In addition, ADE and Mesa staffs have discussed comparability at length.

ADE has independently determined that Mesa schools were comparable in FY2005-06. Further, our conversations, Mesa's source documents and the Comparability Procedures together demonstrate that Mesa has a solid understanding of the 2006-07

comparability standards and can accurately make calculations based on those standards.

Mesa compared the average curriculum materials and instructional supplies expenditures per pupil at each school. OIG required Mesa to add state and local instructional staff expenses to the calculation. For some reason, OIG would accept an instructional staff expense ratio, but not one based solely on materials and supplies.

By statute, the two comparisons are separate. The staffing equivalence is in Section 1120A(c)(2)(A)(ii) and the materials and supplies equivalence is in Section 1120A(c)(2)(A)(iii). The auditors accept the staffing ratio as a comparability ratio, but reject Mesa's materials and supplies comparison. We do not understand the logic in accepting the staffing ratio in Section 1120A(c)(2)(A)(ii), but not accepting the materials/supply ratio in Section 1120A(c)(2)(A)(iii).

ED-OIG Note: The calculation of average curriculum materials and instructional supplies expenditures per pupil did not represent an ADE approved method of demonstrating comparability in school year 2005-2006. Instead, this calculation represents a measure LEAs would use to "test" the implementation of one component of the statutory assurance method contained in the ESEA, i.e. whether the LEA implemented school board policies designed to ensure equivalence in the provision of curriculum materials and instructional supplies at all schools. However, Mesa did not certify its schools were comparable under the statutory assurance method on its ADE required Assurance of Comparability submitted in 2005-2006.

Mesa did certify its schools were comparable under all three alternative methods identified in ADE's 2005-2006 Comparability Workbook, including the Per Pupil Expenditures for Instruction method. The comparability assurance Mesa submitted to ADE for school year 2005-2006 serves as the LEA's official certification that its schools were comparable as well as how it demonstrated comparability. Demonstrating comparability using the Per Pupil Expenditures for Instruction method required that the LEA include expenditures for staff salaries and benefits, along with expenditures for curriculum materials and instructional supplies. Per ADE's Workbook, "these expenditures are normally recorded according to the Chart of Accounts under the 1000 (Instruction) and 2100, 2200, 2400 (Support Services) function codes using 6100 (salaries), 6200 (employee benefits), and 6600 (supplies)."

Mesa had suggestions for ADE to improve the Assurance of Comparability and reference materials. FY2007-08 revisions will reflect the LEA input.

2. Chandler Unified School District

ADE met with Chandler, had numerous conversations and exchanged email concerning their FY2005-06 comparability over several months.

ADE received source documentation and discussed the methodology used to draw the source data. Chandler's revised comparability calculations are now based on source data from the same 40th day date. The student and instructional staff counts reflect an

appropriate division of federal funds from state and local funds. ADE determined that Chandler's revised comparability calculations show its schools are comparable for FY2005-06.

Chandler reports that it did not have an opportunity to revise the calculations during the Audit.

Additionally, ADE has received and reviewed Chandler's revised Comparability Procedures. The procedures reflect the intentions of the federal law.

As a consequence of the extensive consultations between ADE and Chandler and the resulting revisions, Chandler is prepared to make accurate determinations in the future.

Finally, the auditor recommends that ADE require that Chandler use the 40th day ratio for its comparison. ADE agrees that whatever ratio is used, both the numerator and the denominator must be based on the same date.

With regard to setting the 40th day in particular, it is left to ADE, not OIG or ED, to "establish deadlines for comparability determinations" that allow the LEA to make corrections "during the current school year" (p. 28, *2006 Non-Regulatory Guidance Title I Fiscal Issues*). ADE urges ED to respect local discretion in setting this deadline.

ED-OIG Note: The report does not recommend any specific deadline for LEA completion of comparability determinations or submission of the Assurance of Comparability to ADE. In fact, the OIG recognized ADE's authority to set deadlines for comparability determinations in the introductory paragraph of the AUDIT RESULTS section of the report. In that section, we state that "ADE required LEAs to document compliance with the comparability requirement earlier in the school year when it moved the date LEAs must submit the Assurance of Comparability from January 14, 2005 for school year 2004-2005 to November 30, 2006 for school year 2006-2007." Also, the report did not recommend that ADE specify that LEAs use 40th day data for their comparability determinations. ADE's own guidance to LEAs for 2005-2006 instructs LEAs to "...use a date around the 40th day of the current school year to test comparability..." Furthermore, Chandler's own comparability procedures state that "[t]he district will strive to use the 40th day of the school year as its designated date." We revised the wording in Recommendation 2.2 to clarify that the 40th day was an ADE guideline.

3. Amphitheater Public Schools

ADE also consulted with Amphitheater at length in order to understand the underlying comparability issues. Amphitheater made volumes of data available to ADE at a Tucson meeting. Upon review, ADE determined that Amphitheater had a good understanding of comparability and calculations, but had issues in sorting the original data.

We discussed the appropriate division of federal funds from state and local funds. A large part of this process included distinguishing among accounting expense systems and coding.

In order to evaluate staffing levels, Amphitheater needed more coordination among departments. By exporting data from a software system coded to fiscal accounts by instructional staff assignments instead of the system that reports allocations, Amphitheater created the needed report of actual staff.

Amphitheater reported that it did not have an opportunity to revise the calculations during the audit.

With the correct source data plugged into the comparability worksheets, Amphitheater proved its schools were comparable in FY2005-06. ADE also received and reviewed a copy of Amphitheater's conforming Comparability Procedures.

4. Cottonwood-Oak Creek, Parker, Somerton, and Window Rock Districts

Each of these four school districts claimed it was "exempt" from calculating comparability because it had only one building per grade span. ADE is working with the districts separately to recreate an LEA Profile sorting schools into grade spans, Title I and non-Title I, and over/under 100 students. All districts have submitted documentation and made preliminary comparability calculations. We also have copies of the Comparability Procedures for three of the districts. Each of these districts is unique and three have strong reasons for claiming exempt status.

The "grade span" designation creates a significant amount of confusion as applied to these districts. Charts of their schools' grade spans are appended. Only Somerton has schools with the same grade span (K-5). The three other districts have no Title I schools with more than 100 students that have the same grade *span*. Cottonwood-Oak Creek has school grade spans K-2, 3-5, 6-8, K-5, and K-8. Parker schools have grade spans K-3, 4-6, 7-8 (non-Title I) and K-6. Window Rock Unified has grade spans K-3, 4-6, 7-8, K-6 and 9-12. The district schools have overlapping *grades*. There is a legitimate argument that schools do not have overlapping *grade spans*. K-3 and 4-6 are not overlapping grade spans. K-8 has overlapping *grades* with the K-3 and the 4-6 school. But a K-8 grade span comparison to a K-3 school is troubling. Singling out the K-3 grades served in the K-8 school is a **grade** comparison, which is not within the scope of comparability law.

In order to determine comparability, only a grade-to-grade comparison (vs. a grade span to grade span) makes sense under these circumstances.

ED-OIG Note: LEAs with overlapping, but not identical, grade spans have the option to perform comparability determinations on a school-by-school basis under Section 1120A(c)(1)(C) of the ESEA.

To conclude all matters, each of the seven LEAs has made or will make any required corrections and re-submit its Assurance of Comparability for FY2005-06.

ED-OIG Note: The seven LEAs that ADE mentioned in the above statement represent the three LEAs we reviewed during the audit (Amphitheater, Chandler, and Mesa) as well as the four additional LEAs (Cottonwood-Oak Creek, Parker, Somerton, and Window Rock) we identified in Finding 1 that should not have claimed exempt on their school year 2004-2005 Assurance of Comparability.

ADE NUMBERED RESPONSE

The statutory comparability requirements are brief. There are no formally adopted Rules or Regulations to instruct the federal, state or local agencies. Non-regulatory or policy guidance is advisory. It would seem that the fiscal years subject to audit, FY2005-06, would follow the *Policy Guidance for Title 1, Part A: Improving Basic Programs Operated by Local Educational Agencies - April 1996*. OIG does not disclose which monitoring procedure they used; however, the specificity of the Recommendations suggests that something more stringent than even the May 2006 Non-Regulatory Guidance applied.

The other resource is the *Student Achievement and School Accountability Programs (SASA) Monitoring Plan for Formula Grant Programs*. This plan is the monitoring protocol for onsite visits that tells SEAs and LEAs what to expect from a federal monitoring event. A federal report based on SASA monitoring protocol would contain "Acceptable SEA Evidence" called "Indicators." The SASA Indicators for SEAs are satisfied by ADE. The actual OIG audit had a significantly greater scope and depth than a monitoring visit.

In January 2006, the director of SASA, Jackie Jackson, acknowledged that there were so many new Title I directors that she "didn't think they know the finer points about fiscal issues." *Brownstein/Edwards*. The OIG Audit on the other hand targeted finer points.

- 1.1 Require the four LEAs that incorrectly assessed their comparability status as exempt to perform comparability determinations and provide sufficient and verifiable documentation to support compliance with the comparability of services requirement. If the LEAs cannot demonstrate comparability at all schools or fail to provide the required documentation to support compliance, ADE should return to the Department that portion of the \$4,129,628 in Title I, Part A funds applicable to any LEA's schools that failed to demonstrate comparability in school year 2004-2005.

ADE contacted the four LEAs (again) and received a large amount of documentation. The LEAs are working cooperatively with ADE to correct inaccuracies, resolve the grade span issue, and prove comparable where appropriate.

- 1.2 Implement procedures to ensure that LEAs claiming to be exempt from performing a comparability determination have made the correct assessment.
- 1.3 Implement procedures to confirm that all LEAs are submitting the required Assurance of Comparability at least every other year.
- 1.4 Implement a biennial process for reviewing LEA comparability determinations, including the development of specific review guidelines that require confirmation that data used in the determination is supported by appropriate LEA records.
- 1.5 Monitor the actions taken by LEAs when ADE becomes aware of situations in which non-comparable schools have been identified.

To the extent possible, ADE has all the procedures recommended in 1.2-1.5 in place.

ADE uses its best efforts to monitor Arizona's 500 LEAs. The standard recommended – 100% compliance – is nearly impossible and inefficient to meet.

ADE's procedures are best stated in the section describing our approach to comparability. In addition, ADE will incorporate automated checks as technology is improved. These checks and revisions follow.

We believe our procedures are reasonable given the enormity of the task.

- 2.1 Provide sufficient and verifiable documentation to support compliance with the comparability of services provision or return to the Department that portion of the \$3,064,703 in Title I, Part A, funds that Amphitheater allocated to non-comparable schools in the 2005-2006 school year.

This is complete.

- 2.2 Instruct Chandler to a) perform its comparability determination for school year 2005-2006 using 40th day staffing data and b) provide sufficient and verifiable documentation to support compliance with the comparability of services requirement or return to the Department that portion of the \$2,991,584 in Title I, Part A funds that Chandler allocated to non-comparable schools in school year 2005-2006.

Chandler revised its calculations upon the recommendations of OIG and provided to ADE documentation supporting their calculations. With regard to the 40th day comparability point, the ADE guidelines at that time stated that "[d]ocumentation must be completed and filed no later than the ADE notification deadline each year." To point out again, establishing deadlines for comparability determinations is a matter of State discretion, not federal control.

- 2.3 Review all three LEAs' comparability determinations for school year 2006-2007 to determine whether the LEAs performed and documented the determination adequately, including the use

of correct and appropriate data, and take any necessary corrective action if deficiencies are identified.

- 2.5 Advise all LEAs of the findings discussed in this report and instruct the LEAs to review their school year 2006-2007 comparability procedures and methodology to ensure similar errors were not made. If similar errors are identified, LEAs should be required to ensure their schools are comparable after correction of the errors and take appropriate corrective action if non-comparable schools are identified.

ADE and the LEAs have discussed the new and the prior Comparability guidelines in detail. Based on these conversations, review of the data, comparability procedures, and recalculations, ADE is satisfied that the target LEAs are now making reliable comparisons and will continue to do so.

- 2.4 Ensure that all three LEAs revise or develop, as applicable, written comparability procedures that conform to the ESEA comparability provision and ADE requirements, including the use of consistent data (comparable dates), and that provide for the implementation and documentation of timely and appropriate resource adjustments when non-comparable schools are identified.

This is complete.

- 2.6 Ensure that future guidelines to LEAs clarify when it is appropriate to include preschool data in comparability calculations, that LEAs need to ensure comparable date data is used, and that a single method must demonstrate comparability across all schools and grade spans.

ADE will clarify preschool inclusion and matching date data for comparison ratios.

ADE does not plan to limit LEAs to a single method approach to demonstrate comparability. Nothing in the statute or the Federal guidance requires the use of a single method. In fact, the recognition of grade spans indicates that LEAs use resources at grade spans differently. If schools may use different allocation methods based on the grade span, different comparability methods should also be applicable.

Moreover, it makes no sense to restrict the choice of methods based on the number of schools in an LEA. Single site Title I LEAs are all exempt from proving comparability. Plus, Question B-8 in the 2006 Guidance specifically approves of the use of different methods for charter schools operating within an LEA. In Arizona, multiple site school districts could dodge the single method approach by turning each school into a single site LEA (charter). This falls at a time when the State is moving toward increasing efficiency and efficacy by unifying school districts. The single method limit effectively encourages LEAs to disaggregate. ADE opposes this recommendation.

ED-OIG Note: The recommendation that LEAs should be instructed by ADE to use a single method to demonstrate comparability across all schools and grade spans was eliminated in the final report.

OTHER REVISIONS:

OIG suggested changing the student count used in per pupil calculations from the 40th day “ADM” to “actual enrollment.” OIG did approve of ADE’s change from a December/January count to the 40th day.

ADE will revise 2007-08 guidelines in order to ensure that the ratios contain date “matched” data. LEAs will be instructed to use *actual* enrollment if *actual* staffing or expenditures for the same date are used. Conversely, LEAs will be instructed to use *average* enrollment if *average* staffing or expenditures for the same data are used.

CONCLUSION

The Arizona Department of Education has shown its compliance with the Comparability provisions of the Fiscal Requirements Policy (April 1996) in effect during the years (2005-06) evaluated by the OIG.

Therefore, the Arizona Department of Education requests that the Assistant Secretary of Education –

- Find that ADE was in compliance with the Fiscal Requirements Policy for Comparability (April 1996) in effect for the years audited by the Office of the Inspector General and find that no further action be taken.
- Find that ADE provided guidance to the LEAs describing the approved procedures for determining comparability, that it sampled comparability reports comparing Title I schools to non-Title I schools and that it monitored comparability every two years.
- Find that ADE is requiring Mesa Schools, Chandler Unified School District, Amphitheater School District, Cottonwood-Oak Creek School District, Parker Unified School District, Somerton Unified School District, and Window Rock Unified School District to perform comparability determinations and provide documentation to support compliance or prove an exemption.
- Approve ADE’s proposed Procedures for Monitoring Comparability.
- Find that it is reasonable for the SEA and the LEAs to prospectively rely on the non-regulatory guidance issued by the Department of Education.

- Find that it is reasonable for the SEA and the LEAs to prospectively rely on the SASA Monitoring Plan for Formula Grant Programs issued by the Department of Education.

Sincerely,

Margaret Garcia Dugan
Deputy Superintendent for Public Instruction

cc: Donna Simon, Research & Evaluation
Mesa Public Schools

Tim Frey, Director of Research & Federal Projects
Chandler Unified School District

Thomas Collins, Director of State and Federal Intervention Programs
Amphitheater Public Schools

David Snyder, Director of Business Services
Cottonwood-Oak Creek School District

Sandra Cooke, Curriculum Director
Parker Unified School District

Cathy Witmer, Director of Finance
Somerton School District

Jennifer Wilson, Federal Projects Coordinator
Window Rock Unified School District

ARIZONA DEPARTMENT OF EDUCATION
ADVANCING TECHNOLOGY COMPARABILITY PROCEDURES

1. Ensure that all LEAs that are required to submit Assurances have filed

ADE Operations Unit will email LEAs in August or September notifying them that the current year Guidelines for Comparability are available at the ADE website. This is followed in late September by a notice that the Assurance is available through the Common Logon and has a November 30th due date. Approximately a week prior to the due date, an automated reminder will be emailed to nonfilers.

ADE Title I Division will include the Comparability Assurance in its summer/fall annual list of required submissions for all monitored LEAs, among other filings. This will be posted at the Title I section of the ADE website.

After the due date, the Operations Unit queries the database to generate a list of LEAs that failed to submit the required Assurance and sends an automated targeted "Late Notice" to these LEAs within 7 days. After another 14 days, malingerers are sent an automated "Warning" that funds will be withheld and given a date certain to file.

With emerging technology, ADE will initiate a time table to hold funds by January 1 of the fiscal year if the Assurance is not filed. This will become permanent at year end if the LEA is noncompliant.

2. Ensure that exclusions/exemptions claimed by LEAs are accurate

There will be a two-fold procedure to verify exclusions and/or exemptions.

First, ADE Operations Unit will query the data base for claimed exemptions and exclusions. ADE will query the same group from another ADE data base to make the needed confirmations. This comparison should be fully automated.

If the claims are inaccurate, ADE will send an automated email including the data we have on record that justify inclusion and require that the comparison be recalculated or funds withheld as in #1 above. Follow up as above.

3. Ensure that comparability analysis is done and paperwork shows comparability

ADE will require that a sample of biannual filers submit their worksheets in the year of filing. ADE will also require that a sample of LEAs submit their worksheets in the non-filing year. ADE will develop a one-page questionnaire about the methodology used and the data sources.

These documents will be subject to a desk audit by the Operations Division.

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The desk audit will check –

- accuracy of profile
- selection of appropriate method
- matching method to worksheet
- compliance questionnaire asking about sources/dates for counts/expenses
- comparability for all Title I schools

ADE will confer with LEAs subject to desk audit. Non-complying LEAs will have an opportunity to correct by a date certain as above.

4. Ensure that corrections are completed when schools are not in compliance

ADE will establish an automated reminder system to occur in April. LEAs that were out of compliance on November 30th will be required to submit a Revised Assurance on May 1st along with worksheets/narrative demonstrating reallocations of resources.

FY 2005-06 October Enrollment Report Summary

Title I				
	WINDOW ROCK USD	Total	Grade Span	
x	Window Rock Elementary School	550	K-6	
	Integrated Preschool	16	PreK	
x	Tse Ho Tso Intermediate Learning Center	294	4-6	
x	Tse Ho Tso Primary Learning Center	331	K-3	
x	Tse Ho Tso Middle School	467	7-8	
x	Navajo Immersion	202	K-7	
x	Sawmill Elementary School	45	K-3	under 100
x	Window Rock High School	824	9-12	only one HS

	COTTONWOOD-OAK CREEK ED**			
x	Cottonwood Elementary School	517	3-5	
x	Cottonwood Middle School	736	6-8	
x	Oak Creek School	339	K-8	
x	Dr Daniel Bright Elementary School	523	K-2	
x	Tavasci Elementary School	388	K-5	

	PARKER USD			served
x	Blake Primary School	461	K-3	1-3
x	Wallace Elementary School	320	4-6	5th
x	Le Pera Elementary School	355	K-6	1-3
	Wallace Jr High School	240	7-8	
	Parker High School	579	9-12	
	Parker Alternative School	46	9-12	under 100

	SOMERTON** ED			
x	Desert Sonora Elementary School	382	K-5	
x	Orange Grove Elementary School	350	K-5	
x	Somerton Middle School	911	6-8	only one 6-8
x	Tierra Del Sol Elementary School	729	1-5	
x	Valle Del Encanto Learning Center	224	K	

**We are confirming data on Worksheets showing Title I schools in these Districts are comparable.

2005-2006 District and Charter Enrollment by Grade

District/School (Entryid)	PS	KC	1	2	3	4	5	6	UE	7	8	9	10	11	12	US	Totals
Arizona	9979	83461	83349	80667	80091	80458	79659	80391	194	80393	80683	99040	92746	83935	79180		1094226
Cottonwood-Oak Creek Elementary District (4487)	33	268	257	287	266	303	283	294	2	266	327						2586
Cottonwood Elementary School (6123)					161	184	172										517
Cottonwood Middle School (6124)									239	219	278						736
Oak Creek School (6125)		35	40	31	38	51	43	55		47	49						389
Dr Daniel Bright Elementary School (6126)	33	173	156	194													556
Tavasci Elementary School (79852)		60	61	62	67	68	68		2								388
Parker Unified School District (4510)	15	159	151	141	157	149	152	144	1	168	154	167	170	153	135		2016
Blake Primary School (6194)	15	120	112	108	121												476
Wallace Elementary School (6195)						106	110	104									320
La Parra Elementary School (6196)		39	39	33	36	43	42	40	1	44	38						355
Parker High School (6197)												159	162	142	116		579
Wallace Jr High School (78929)										124	116						240
Parker Alternative School (80408)												8	8	11	19		46
Somerton Elementary District (4500)	78	283	263	273	264	298	304	309		302	300						2674
Somerton Middle School (6164)								309		302	300						911
Orange Grove Elementary School (6165)		58	54	49	53	65	71										350
Desert Senora Elementary School (6166)		1	71	80	86	75	69										382
Tierra Del Sol Elementary School (6167)			138	144	125	158	164										729
Valle Del Encanto Learning Center (87330)	78	224															302
Window Rock Unified District (4154)	16	210	191	233	170	168	199	235		251	230	307	216	182	119		2727
Window Rock Elementary School (4712)		85	69	96	66	65	63	106									550
Integrated Preschool (4713)	16																16
The Ho Tso Intermediate Learning Center (4714)						76	107	111									294
The Ho Tso Primary Learning Center (4715)		89	77	94	71												331
The Ho Tso Middle School (4716)										237	230						467
Window Rock High School (4717)												307	216	182	119		824
Navajo Immersion (85852)		22	31	34	27	27	29	18		14							202
Sawmill Elementary School (85883)		14	14	9	6												43